

HIGHLAND TOWNSHIP
PUBLIC LIBRARY

FINANCIAL REPORT
December 31, 2006

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Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name HIGHLAND TOWNSHIP PUBLIC LIBRARY	County OAKLAND
Fiscal Year End DECEMBER 31, 2006	Opinion Date February 15, 2007	Date Audit Report Submitted to State May 1, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

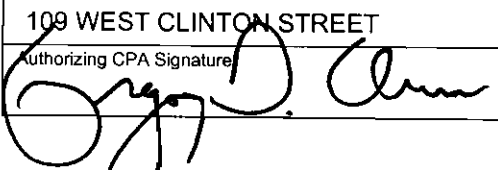
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	NO RECOMMENDATIONS WERE CONSIDERED NECESSARY.	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) BREDERNITZ, WAGNER & CO., P.C.		Telephone Number 517-546-2130	
Street Address 109 WEST CLINTON STREET		City HOWELL	State MI
Zip 48843			
Authorizing CPA Signature 		Printed Name GREGORY D. CLUM	License Number 1101014127

BREDERNITZ, WAGNER & CO., P.C.

Certified Public Accountants

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CONSULTANTS

DAVID L. BREDERNITZ, CPA
HERBERT F. WAGNER, JR., CPA

INDEPENDENT AUDITORS' REPORT

To the Highland Township
Public Library Board
Highland, Michigan

We have audited the accompanying financial statements of the Highland Township Public Library as of and for the year ended December 31, 2006, which collectively, comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Highland Township Public Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Highland Township Public Library as of December 31, 2006, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of

the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Highland Township Public Library's basic financial statements. The introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and other supplemental information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Bradenetz, Wagner & Co., P.C.

Howell, Michigan
February 15, 2007

HIGHLAND TOWNSHIP PUBLIC LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Years Ended December 31, 2006 and
December 31, 2005
(Unaudited)

Using this Annual Report

This annual report consists of three parts - *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include information that presents two different views of the Library.

- The first column of the financial statements includes information on the Library's General Fund under the modified accrual method. These *Fund Financial Statements* focus on the current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full-accrual method.
- The *Government-Wide Financial Statement* columns provide both *long-term* and *short-term* information about the Library's overall financial status. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short term as well as what remain for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

HIGHLAND TOWNSHIP PUBLIC LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Years Ended December 31, 2006 and
December 31, 2005
(Unaudited)

Condensed Financial Information

The table below shows key financial information in a condensed format:

	<u>December 31,</u> <u>2006</u>	<u>December 31,</u> <u>2005</u>
Current assets	\$2,740,886	2,486,992
Capital assets	416,537	465,853
Total assets	<u>3,157,423</u>	<u>2,952,845</u>
Current liabilities	557,831	550,769
Long-term liabilities	12,807	-
Total liabilities	<u>570,638</u>	<u>550,769</u>
Net assets:		
Invested in capital assets, net of debt	416,537	465,853
Unrestricted	2,170,248	1,936,223
Total net assets	<u>\$2,586,785</u>	<u>2,402,076</u>
Revenue:		
Property taxes	\$ 937,364	894,587
Other	202,070	150,763
Total revenue	<u>1,139,434</u>	<u>1,045,350</u>
Expenses - Library services	<u>954,725</u>	<u>951,715</u>
Change in net assets	<u>\$ 184,709</u>	<u>93,635</u>

HIGHLAND TOWNSHIP PUBLIC LIBRARY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Years Ended December 31, 2006 and
December 31, 2005
(Unaudited)

The Library as a Whole

- The Library reports net assets of \$2,586,785 and \$2,402,076 on a full accrual basis, as compared to \$2,183,055 and \$1,936,223 on the modified accrual basis of accounting, for the years ended December 31, 2006 and 2005, respectively.
- The Library's primary source of revenue is from property taxes. Total tax collections were \$937,364 and \$894,587 representing 82.3% and 85.6% of total revenue for the years ended December 31, 2006 and 2005, respectively.
- Salaries and fringe benefits are the largest overall expenditure of the Library. This expenditure was \$474,611 and \$473,970, representing 53.2% and 48.9% of the Library's total expenditures for the years ended December 31, 2006 and 2005, respectively.
- Depreciation expense of \$132,665 and \$128,280 represents 13.9% and 13.5% of the Library's total expenses on the full accrual basis, for the years ended December 31 2006 and 2005, respectively.
- Total expenditures under the modified accrual method of accounting were \$892,602 and \$968,473 for the years ended December 31, 2006 and 2005, respectively.

The Library's Fund

Our analysis of the Library's General fund is included on pages 8 and 9 in the first column of the respective statements. The fund column provides detailed information about the General fund on a modified accrual basis of accounting, which is a short term perspective measuring the flow of financial resources, - not the Library's operations on a full accrual basis of accounting, which provides a longer term measurement of total economic resources. The Library's only fund is the General Fund.

The fund balance of the General Fund increased \$246,832 and \$76,877 during the years ended December 31, 2006 and 2005, respectively. This represents unspent revenue greater than expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Years Ended December 31, 2006 and
December 31, 2005
(Unaudited)

Library Budgetary Highlights

Over the course of the year, the Library Board amended the budget to take into account events during the year. Amendments occurred in the General Administration, Maintenance, Technology and Utilities appropriations. In addition, a line was added to record a grant received from MMRMA.

Estimated expenditures for General Administration were adjusted downwards, in line with actual costs. This reduction was due in part to a change in the number of employees covered by the library's health insurance plan. Filling of one position was deferred, and less was expended for education and training, dues, and mileage than originally budgeted.

Maintenance services, Technology and Utilities cost estimates were increased. These increases were made to more accurately reflect the ongoing cost of building operation and maintenance. Increased expenditures for library programs are also reflected in the budget amendments.

Budgeted revenues were amended to decrease anticipated state aid, and increase property taxes, penal fines, and interest as well as "other local revenue" (Community Room use fees, gift funds, payments for printing and fines.) A revenue line was added to reflect receipt of a grant from MMRMA.

Capital Assets & Debt Administration

At the end of the fiscal year, the Library had approximately \$403,730 invested in building improvements, furniture and equipment, and books and materials. The Library added \$72,755 in new collection items consisting of new books, various audio/visual materials, and enhancement of the music collection. An additional \$21,043 was spent on materials in 2006, not reflected in these 2006 expenditures line items. This expenditure was made in the previous fiscal year (2005) as an acquisitions deposit to our library cooperative, TLN, for materials invoiced through TLN. Payments on materials invoices were not taken out of this deposit until August of 2006, for materials purchased in FY 2006. Thus actual materials expenditures in 2006 were closer to \$93,798 or 10.5% of total expenditures. Materials expenditures were below targeted levels due to the impact of staffing changes (two librarian vacancies occurred and needed to be filled) on the materials selection process.

It should be noted that the library building itself is an asset of the Charter Township of Highland, and therefore, does not appear as an asset of the Library.

The Library carries no long-term debt; debt related to the library building bond is administered by Highland Township (see Notes to Financial Statements 8).

MANAGEMENT'S DISCUSSION AND ANALYSIS (Concluded)
For the Years Ended December 31, 2006 and
December 31, 2005
(Unaudited)

Next Year's Budget and Millage Rates

The budget for fiscal year 2007 represents an increase of approximately 3.7% over the final amended budget for fiscal year 2006.

The Library's total millage rate of 1.60 mills is rolled back in the coming year to a collection rate of 1.2677 mills. Based on the taxable value of the property in the Library's township (and allowing for Board of Review and Tax Tribunal changes), this will generate approximately \$951,700 in tax revenue. Of this amount, approximately \$21,698 is subsequently captured by Highland's Downtown Development Authority. Property taxes account for over 90% of budgeted library revenues.

Most line item expenditures are consistent with previous budget years.

Major expenditures anticipated for fiscal year 2007 include technology upgrades, re-staining of the library building exterior, and shared cost of library and municipal signage at M-59 and Town Center Drive.

Projected major cuts to library state aid will necessitate amending 2007 budgeted revenues. State aid cuts will have even greater impact on our library cooperative, which could lead, in turn, to changes in costs and services from the cooperative and further budget amendment for FY 2007 and beyond.

Contacting the Library's Management

This financial report is intended to provide our citizens, taxpayers, patrons and donors with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the director, jude halloran, at (248) 887-2218, ext. 110.

HIGHLAND TOWNSHIP PUBLIC LIBRARY
GOVERNMENTAL FUND BALANCE SHEET /
STATEMENT OF NET ASSETS
DECEMBER 31, 2006

	General Fund, Modified Accrual Basis	Adjustments (Note 9)	Statement of Net Assets
Assets			
Cash and investments (Note 3)	\$ 2,151,747	-	2,151,747
Receivables:			
Taxes	495,702	-	495,702
Accrued interest	77,190	-	77,190
Prepaid expenses	16,247	-	16,247
Property and equipment (Note 4)	-	416,537	416,537
Total Assets	\$ 2,740,886	416,537	3,157,423
Liabilities			
Accounts payable and accrued liabilities	\$ 29,587	-	29,587
Deferred revenue	528,244	-	528,244
Compensated absences (Note 10)	-	12,807	12,807
Total Liabilities	557,831	12,807	570,638
Fund Balance/Net Assets			
Fund balances - Unreserved:			
Designated for:			
Public improvement	527,161	(527,161)	-
Undesignated	1,655,894	(1,655,894)	-
Total Fund Balance	2,183,055	(2,183,055)	-
Total Liabilities and Fund Balance	\$ 2,740,886		
Net assets:			
Invested in capital assets, net of debt		416,537	416,537
Unrestricted		2,170,248	2,170,248
Total net assets		\$ 2,586,785	2,586,785

The notes to financial statements are an integral part of this statement.

HIGHLAND TOWNSHIP PUBLIC LIBRARY
STATEMENT OF GOVERNMENTAL REVENUE,
EXPENDITURES, AND CHANGES IN
FUND BALANCE / STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2006

	General Fund, Modified Accrual Basis	Adjustments (Note 9)	Statement of Activities
Revenue			
Property taxes	\$ 937,364	-	937,364
Intergovernmental revenue	45,894	-	45,894
Investment income	109,618	-	109,618
Other revenues	<u>46,558</u>	<u>-</u>	<u>46,558</u>
Total Revenues	<u>1,139,434</u>	<u>-</u>	<u>1,139,434</u>
Expenditures			
General administration	539,875	12,807	552,682
Books, periodicals and audiovisual	72,755	(72,755)	-
Maintenance, supplies and capital outlay	218,533	(10,594)	207,939
Utilities	61,439	-	61,439
Depreciation	<u>-</u>	<u>132,665</u>	<u>132,665</u>
Total Expenditures	<u>892,602</u>	<u>62,123</u>	<u>954,725</u>
Excess of Revenues Over Expenditures/Change in Net Assets	246,832	(62,123)	184,709
Fund Balance/Net Assets - Beginning of year	<u>1,936,223</u>	<u>465,853</u>	<u>2,402,076</u>
Fund Balance/Net Assets - End of year	<u>\$ 2,183,055</u>	<u>403,730</u>	<u>2,586,785</u>

The notes to financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

Note 1. REPORTING ENTITY AND BASIS OF PRESENTATION

Definition of the reporting entity:

The Highland Township Public Library was established for the purpose of providing all residents of Highland Township with access to materials and services for information, education, culture, and recreation. The Library is governed by a six member board of trustees elected at large from Highland Township.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present the local unit. There are no component units of the Library. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

Basis of presentation:

The financial statements present the fund financial statement on a modified accrual basis with an adjustment to present the statement of net assets and the statement of activities on a full accrual basis.

Fund Financial Statements:

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the Library, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds which are maintained in accordance with the activities or objectives specified.

The financial activities of the Library are recorded on one fund as follows:

Governmental Fund:

General Fund: This fund accounts for all financial resources except those provided for in another fund. Revenues are derived primarily from property taxes and penal fines. This fund includes the general operating expenses of the Library.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Highland Township Public Library conform to accounting principles generally accepted in the United State of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies:

Measurement focus/basis of accounting:

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The accounting policies of the Highland Township Public Library conform to generally accepted accounting principles as applicable to governmental units.

Governmental Fund

The Governmental Fund Type (General Fund) uses a financial resources measurement and focus and is accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Current expenditures are generally recorded when the fund liability is incurred, if measurable. Exceptions to this general rule include principal and interest on long-term debt, which is recognized when due, and accrued vacation and sick leave, which is recorded when payable from current available financial resources.

Cash and Cash Equivalents:

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired.

Compensated absences (vacation and sick leave):

Vacation time that is unused at the employee's employment anniversary date does not carry over to the following year. Sick time does carry over to the following year at a limited amount. Retiring employees are eligible to be paid for half their accrued sick time. The amount of sick time accrued at December 31, 2006 for eligible retirees is \$12,807.

Current property taxes:

Properties are assessed as of December 31 and the related property taxes become a lien on December 1. These taxes are due

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

on February 14 with the final collection date of February 28 before they are added to the county tax rolls.

Property taxes billed during the month of December will be used to finance the following year's operations. As such, these taxes are recorded as deferred revenue at December 31.

The 2006 State taxable valuation of the Library totaled \$735,254,510 on which ad valorem taxes levied consisted of 1.2725 mills raising \$937,364 for operating purposes after amount withheld for the downtown development authority.

Capital Assets:

Capital assets are defined by the Library as assets with an initial cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other cost incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Building improvements	20 years
Furniture and equipment	5-20 years
Library books and materials	8 years

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Budgets and budgetary accounting:

The annual budget is adopted by the Library Board prior to the beginning of the budgetary year. Subsequent amendments are approved by the Library Board. Unexpended appropriations lapse at year end. The Library does not use the encumbrance method of accounting for budgetary purposes. During the current year, the budget was amended in a legally permissible manner.

Formal budgetary integration is employed as a management control device. The budget has been prepared on a modified accrual

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

basis, which is in conformity with generally accepted accounting principles.

Note 3. CASH AND CASH INVESTMENTS

At December 31, 2006 the deposits and investments of the Library are classified by Governmental Accounting and Standards Board Statement No. 3 in the following categories:

Bank deposits (checking accounts, money market accounts and certificates of deposit)	\$2,151,499
Petty cash	<u>248</u>
Total	<u>\$2,151,747</u>

DEPOSITS

Deposits are carried at cost. The Library considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. The total deposits were reflected in the accounts of the bank (without recognition of checks written, but not yet cleared, or of deposits in transit) at \$2,160,908. Of that amount, \$300,000 was covered by federal depository insurance and \$1,860,908 was uninsured and uncollateralized.

INVESTMENTS

The Library is authorized by Michigan Public Act 20- of 1943 (as amended) to invest surplus monies (of nonpension funds) in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, banker's acceptances, mutual funds and bank investment pools that are composed of authorized investment vehicles. The Library's deposits and investments are in accordance with statutory authority. At December 31, 2006, the Library did not have any investments.

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 4. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance January 1, 2006	Net Additions (Deletions)	Balance December 31, 2006
Building Improvements	\$ 38,926	-	38,926
Computers	212,383	-	212,383
Furniture, and equipment	52,196	10,594	62,790
Books and recordings	<u>649,685</u>	<u>22,041</u>	<u>671,726</u>
Total	953,190	32,635	985,825
Accumulated Depreciation	<u>(487,337)</u>	<u>(81,951)</u>	<u>(569,288)</u>
Net Book Value	<u>\$465,853</u>	<u>(49,316)</u>	<u>416,537</u>

Note 5. BUILDING LEASE

The building in which the Highland Township Public Library is located is leased from Highland Township at \$1 per year. The lease is renewed on an annual basis and is expected to remain constant in the future.

Note 6. RETIREMENT PLANS

The Library provides pension benefits to substantially all of its full-time employees through a defined contribution plan. The plan is administered by Aetna Life Insurance and Annuity Company. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate at the first annual anniversary date of the plan, which is September 1. As established by the Library Board, the Library contributes 6 percent of employees' gross earnings. The Library contributions for each employee are immediately fully vested.

The Library's total payroll during the current year was \$424,628. The current year contribution was calculated based on covered payroll of \$290,099. The resulting employer contribution during the current year was \$17,406.

Effective June, 1992 the Library reactivated a salary reduction plan covering all employees who have completed one year of service of 1,000 hours and have reached age 21.

Note 7. RISK MANAGEMENT

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library's health insurance is with Municipal Benefit services. The Library participates in the Michigan Municipal Risk Management Authority state pool for claims relating to property loss, torts, errors and omissions and has insurance relating to workers' compensation with the Accident Fund. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority state pool operates as a common risk-sharing management program; state pool member premiums are aggregated and used to purchase excess insurance coverage, some of which is underwritten by the Authority.

Note 8. LIBRARY BUILDING

The Charter Township of Highland, County of Oakland, State of Michigan issued bonds in the amount of \$5,765,000 in a prior year. The proceeds of these bonds were used to construct a new library building which is leased to the Highland Township Public Library. The obligation to repay the bonds is that of Highland Township.

Note 9. RECONCILIATION of FUND FINANCIAL STATEMENTS to GOVERNMENT-WIDE FINANCIAL STATEMENTS

Total fund balance and the net change in fund balance of the Library's governmental fund differs from the net assets and changes in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference primarily results from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance. The following are reconciliations of fund balance to net assets and the net change in fund balance to the net change in assets.

Total Fund Balance - Modified Accrual Basis	\$2,183,055
Amounts reported in the statement of net assets are different because:	

Capital assets are not financial resources, and are not reported in the funds	416,537
Compensated absences are included as a liability	<u>(12,807)</u>

Net Assets of General Fund - Full Accrual Basis	<u>\$2,586,785</u>
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NOTES TO FINANCIAL STATEMENTS (Concluded)

Note 9. RECONCILIATION of FUND FINANCIAL STATEMENTS to GOVERNMENT-WIDE FINANCIAL STATEMENTS (Concluded)

Net Change in Fund Balances - Modified Accrual Basis \$ 246,832

Amounts reported in the statement of activities
are different because:

Capital outlays are reported as expenditures in statement of revenue, expenditures, and changes in fund balance, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Library books and materials	72,755
Maintenance, supplies and capital outlay	10,594
Depreciation	(132,665)

Increase in the accrual for long-term compensated absences reported as an expenditure in the statement of activities	<u>(12,807)</u>
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Change in Net Assets of General Fund - Full Accrual Basis	<u>\$184,709</u>
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Note 10. Accumulated Absences

A summary of accumulated absences follows:

	Balance January 1, <u>2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2006</u>
Compensated absences	\$ <u> -</u>	<u>12,807</u>	<u> -</u>	<u>12,807</u>

The compensated absences represent the estimated liability to be paid to eligible retirees under the Library's sick time policy. Under the Library's policy, retiring employees are to be paid for one-half of their accrued sick time. The Library estimates that none of the above liability will be paid within the next year.

HIGHLAND TOWNSHIP PUBLIC LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2006

	Original Budget	Final Amended Budget	Actual Balances	Variance Favorable (Unfavorable)
Revenue				
Property taxes	\$ 876,000	881,000	937,364	56,364
State aid	15,500	14,500	15,909	1,409
Charges for services	6,600	7,100	8,812	1,712
Investment income	27,000	43,090	109,618	66,528
Contributions	4,550	4,850	11,915	7,065
Fines and forfeitures	24,000	25,000	29,985	4,985
Local fines	13,650	14,000	19,099	5,099
Other miscellaneous	5	6,013	6,732	719
Total Revenues	967,305	995,553	1,139,434	143,881
Expenditures				
Salaries and fringe benefits	525,785	509,085	474,611	34,474
Supplies	13,150	9,350	9,798	(448)
Travel	3,100	2,000	1,905	95
Library books and materials	105,550	105,550	77,981	27,569
Professional and contractual services	79,000	59,000	56,019	2,981
Training and education	2,860	1,500	1,253	247
Insurance	73,550	72,050	62,106	9,944
Utilities	63,010	65,018	61,439	3,579
Repairs and maintenance	13,000	75,210	65,914	9,296
Printing, promotion, and advertising	15,500	13,900	12,077	1,823
Technology	60,000	62,990	48,889	14,101
Other miscellaneous	5,700	12,800	15,016	(2,216)
Capital outlay	7,100	7,100	5,594	1,506
Total Expenditures	967,305	995,553	892,602	102,951
Excess of Revenues Over Expenditures	-	-	246,832	246,832
Fund Balance - Beginning of year	1,789,920	1,789,920	1,936,223	146,303
Fund Balance - End of year	\$ 1,789,920	1,789,920	2,183,055	393,135

HIGHLAND TOWNSHIP
PUBLIC LIBRARY

STATEMENT OF REVENUES
GENERAL FUND
For the Year Ended December 31, 2006

	<u>2006</u>
Property taxes	\$ <u>937,364</u>
Intergovernmental:	
State:	
Penal fines	29,985
State aid	<u>15,909</u>
	<u>45,894</u>
Investment income	<u>109,618</u>
Other revenue:	
Book fines	19,099
Charges for services	8,812
Contributions, donations and other	<u>18,647</u>
	<u>46,558</u>
Total Revenues	\$ <u><u>1,139,434</u></u>

HIGHLAND TOWNSHIP
PUBLIC LIBRARY

STATEMENT OF EXPENDITURES
GENERAL FUND
For the Year Ended December 31, 2006

General administration:

Salaries	\$ 424,628
Fringe benefits	32,577
Pension plan	17,406
Insurance	62,106
Dues and travel	1,905
Education and training	1,253
	<u>539,875</u>

Books, periodicals and audiovisual:

Books	43,335
Periodicals	15,732
Audiovisual	13,688
	<u>72,755</u>

Maintenance, supplies and capital outlay:

Repairs and maintenance	81,792
Supplies	21,353
Equipment and furnishings	49,353
Contracted services and other	66,035
	<u>218,533</u>

Utilities:

Public utilities	52,588
Communications	8,851
	<u>61,439</u>

Total Expenditures	\$ <u>892,602</u>
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